

Message Text

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PAGE 01 STATE 070143
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FM SECSTATE WASHDC
TO AMEMBASSY ABU DHABI
AMEMBASSY CAIRO
AMEMBASSY KUWAIT

C O N F I D E N T I A L STATE 070143

E.O. 11652: GDS

TAGS: MASS, SU, SA, US

SUBJECT: PEACE PILLAR LOA AND PAYMENT PROCEDURE

FOLLOWING IS A REPEAT
QUOTE

R 172348Z AUG 77 ZFF4
FROM SECSTATE WASHDC
TO AMEMBASSY KHARTOUM NIACT IMMEDIATE
AMEMBASSY JIDDA IMMEDIATE
INFO SECDEF

CONFIDENTIAL STATE 195932

FOR AMBASSADORS BERGUS AND WEST ONLY

E.O. 11652 GDS
TAGS: MASS, SU, SA, US
SUBJECT: PEACE PILLAR LOA AND PAYMENT PROCEDURE
REFS: (A) KHARTOUM 2725; (B) STATE 186805; (C) JIDDA 5665
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1. IT IS UNFORTUNATE THAT SAG-SUDANGOV NEGOTIATIONS ON
C-130 LOA AND PAYMENT PROCEDURES HAVE PROGRESSED SO FAR

AND AT SUCH A LEVEL IN THE WAY DESCRIBED IN REF A. HOW-
EVER, WE FEEL STRONGLY THAT THE ARRANGEMENT AS OUTLINED BY
MG MAJID IS FUNDAMENTALLY UNSOUND AND WE MUST PRESS FOR

RECONSIDERATION BY BOTH GOVERNMENTS. WE ARE MAKING SALE TO SUDAN IN ACCORDANCE WITH FMS LEGISLATION AND WE HAVE SO INFORMED CONGRESS. SAUDIS ARE NOT RPT NOT A PARTY TO THIS SALES CONTRACT AND THE AIRCRAFT, WHEN SOLD, WILL BE OWNED SOLELY BY SUDAN. USG HAS MADE OFFER TO GOVERNMENT OF SUDAN. THIS OFFER CANNOT BE ACCEPTED BY SAUDIS. IT IS SUDAN WHICH MUST ACCEPT TERMS AND CONDITIONS OFFERED IN ORDER TO CREATE A VALID CONTRACT. A NUMBER OF THE CONTRACT'S PROVISIONS IMPLEMENT U.S. STATUTORY REQUIREMENTS, E.G., LIMITATIONS ON USE AND DISPOSITION. IT IS LEGALLY NECESSARY THAT CONTRACT BE SIGNED BY PURCHASING GOVERNMENT.

2. AS INDICATED IN REFTTEL B, SIMILAR TRILATERAL ASSISTANCE ARRANGEMENTS WITH THE SAUDIS HAVE, THROUGH NO MALICE ON THEIR PART, PRESENTED US WITH RECURRING ACCOUNTING AND DELIVERY PROBLEMS, USUALLY TO THE DETRIMENT OF THE RECIPIENT COUNTRY. THE ARRANGEMENT WORKED OUT BETWEEN THE SAG AND THE SUDANESE VIRTUALLY ELIMINATES SUDANESE CONTROL OVER THEIR MILITARY PROGRAM. THEY WOULD HAVE LITTLE IF ANY CONTROL OVER WHEN, OR IF, LOAS ARE SIGNED, FOR EXAMPLE. A SIMILAR ARRANGEMENT ELSEWHERE HAS LED TO FRICTION BETWEEN THE SAUDIS AND THE RECIPIENT, WITH THE USG IN A MIDDLEMAN ROLE WE DO NOT WISH TO ASSUME.

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3. WE ARE ATTEMPTING TO STANDARDIZE OUR APPROACH TO THESE ASSISTANCE ARRANGEMENTS ALONG THE FOLLOWING LINES:

A. DEAL DIRECTLY WITH THE RECIPIENT COUNTRY IN MAKING OUR DETERMINATION OF WHAT EQUIPMENT WE ARE PREPARED TO SELL AS WE DID BASED ON THE RECOMMENDATION OF THE PEACE PILLAR TEAM.

B. MAKE CERTAIN OF SAUDI COMMITMENT IN PRINCIPLE TO FINANCING THE ARMS THE RECIPIENT COUNTRY WILL ACQUIRE FROM US.

C. AFTER THE DETERMINATION HAS BEEN MADE ON WHAT WE ARE PREPARED TO SELL, BRIEF THE SAUDIS, MAKING THEM AWARE OF THE APPROXIMATE COST.

D. DEAL DIRECTLY WITH THE RECIPIENT COUNTRY ON THE ACTUAL PAYMENT PROCEDURE. LEAVE IT TO THE RECIPIENT COUNTRY TO FORMALLY REQUEST THE NECESSARY FINANCIAL ASSISTANCE FROM THE SAG. WE WOULD REMAIN IN CLOSE TOUCH

WITH BOTH PARTIES, WITHOUT BECOMING DIRECTLY INVOLVED IN

THE TRANSACTION.

4. CONSISTENT WITH THE APPROACH PARA 3 ABOVE, THE SUDANESE MUST SIGN THE LOA IN BLOCK 22. ALTHOUGH SUDAN IS RESPONSIBLE FOR PAYMENT, WE RECOGNIZE THAT SAG PREFERS TO PAY DIRECTLY TO THE USG TO AVOID INADVERTENT DIVERSION OF PAYMENT FUNDS BY RECIPIENT COUNTRY. THEREFORE, BILLS WILL BE FORWARDED TO THE SUDANGOV WHICH WILL BE RESPONSIBLE FOR INFORMING THE SAUDIS OF PAYMENTS DUE. FYI: WE WILL SIMULTANEOUSLY TRANSMIT A COURTESY COPY OF BILL TO SAG TO FACILITATE PAYMENT. END FYI.

5. DIRECT PAYMENT CAN BE ACCOMPLISHED BY ADDING THE FOLLOWING NOTE (FOR SAUDI SIGNATURE) TO THE LOAS NOW IN CONFIDENTIAL

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THE HANDS OF THE SUDANESE AND SAUDI GOVERNMENTS.

NOTE 34:

THE GOVERNMENT OF THE KINGDOM OF SAUDI ARABIA HEREBY UNCONDITIONALLY GUARANTEES FULL PAYMENT OF ALL DEFENSE ARTICLES AND SERVICES PROVIDED HEREUNDER AND AGREES TO PAY THE USG SUCH AMOUNTS AT SUCH TIMES AS MAY BE SPECIFIED BY THE USG IN THIS LOA IN ORDER TO COVER SHIPMENTS FROM STOCK OR SERVICES RENDERED OR TO MAKE PAYMENTS REQUIRED BY CONTRACTS UNDER WHICH ITEMS ARE BEING PROCURED, AND ANY DAMAGES AND COSTS THAT MAY ACCRUE FROM CANCELLATION OF CASES HEREUNDER. PAYMENTS SHALL BE MADE IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THIS CASE.

BY: (SIGNATURE) (SEAL)

TYPED NAME AND TITLE:

DATE:

IF THIS PROCEDURE IS ADOPTED, IT IS ESSENTIAL THAT BOTH THE SUDANESE AND SAUDIS UNDERSTAND THAT DOD CANNOT BEGIN TO IMPLEMENT THE PROGRAM UNTIL THE DOWN PAYMENT REQUIRED BY THE LOA IS RECEIVED. FURTHER, WE WOULD HAVE TO CEASE IMPLEMENTING THE PROGRAM AT ANY POINT WHERE CUMULATIVE PROGRAM COSTS WOULD EXCEED FUNDS RECEIVED DUE TO FAILURE TO MAKE TIMELY PAYMENTS AGAINST BILLS RENDERED.

6. THE ABOVE PROCEDURE WOULD MAXIMIZE THE POLITICAL BENEFIT THE SAUDIS WOULD DERIVE, WHILE AVOIDING THE ENTANGLEMENTS WE HAVE EXPERIENCED IN OTHER ARRANGEMENTS.

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7. EMBASSIES ARE THEREFORE INSTRUCTED TO APPROACH HOST

GOVERNMENTS AT THE HIGHEST APPROPRIATE LEVEL DRAWING ON PARAS 3, 4 AND 5 ABOVE. WHILE WE UNDERSTAND THAT THIS MAY INCONVENIENCE HOST GOVERNMENTS NOW, WE FIND THAT PREFERABLE TO THE POTENTIAL PANDORA'S BOX AWAITING US IF WE ACQUIESCE IN THE PROPOSED ARRANGEMENT.

8. FOR KHARTOUM: YOU SHOULD STRESS THAT WE VIEW OUR MILITARY ASSISTANCE RELATIONSHIP TO THE SUDANGOV AS A BILATERAL ONE, WITH EQUIPMENT TO BE PROVIDED AGREED TO IN CONSULTATION WITH THEIR GOVERNMENT. AS SUCH, WE PREFER THAT ALL ASPECTS OF THE ASSISTANCE BE HANDLED IN A BILATERAL FASHION. ALTHOUGH WE ARE, OF COURSE, PLEASED SAUDI ARABIA HAS AGREED TO RENDER APPROPRIATE FINANCIAL ASSISTANCE. SUDANESE SHOULD BE AWARE THAT IF THE LOA IS NOT SIGNED BY AUGUST 26 THIS WILL RESULT IN POSTPONEMENT OF SCHEDULED TRAINING AND THEREFORE DELAY IN EARLY DELIVERY OF AIRCRAFT.

9. FOR JIDDA: WE WELCOME SAUDI COMMITMENT TO HELP THE SUDANGOV. WE BELIEVE PROCEDURES OUTLINED PARA 3, 4 AND 5 BEST SERVE THE INTERESTS OF ALL PARTIES. PER REF C; THERE CAN BE NO DEFERRAL OF PAYMENTS AGAINST THE LOA. DOD CANNOT PROCEED TO CONTRACT FOR THE AIRCRAFT OR TAKE ANY OTHER ACTIONS TO IMPLEMENT THE PROGRAM UNTIL IT RECEIVES PAYMENTS IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE LETTER OF OFFER AND ACCEPTANCE.

10. FOR BOTH: YOU MAY SAY THAT SIMILAR DEMARCHES ARE BEING MADE IN JIDDA AND KHARTOUM. UNQUOTE VANCE. VANCE

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